

MINUTES OF REGULAR MEETING OF THE COMMISSION  
OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON

February 23, 2009

The regular meeting of the Commission of Public Utility District No. 1 of Chelan County, Washington, was held in the office of the District, 327 North Wenatchee Avenue, Wenatchee, Washington, on February 23, 2009, at the hour of 11:00 a.m., pursuant to proper notice thereof.

Commissioners present were Dennis Bolz, Carnan Bergren and Randy Smith. Commissioner Ann Congdon and Commissioner Norm Gutzwiler were excused to attend the APPA Legislative Rally in Washington DC. In attendance were Acting General Manager Joe Jarvis, General Counsel Carol Wardell and Clerk of the Board Sheila Salmon. Various staff members were also in attendance.

Others in attendance: Bob Huber and Rich Cole.

Safety Training Program Administrator Dave Parkhill led the Pledge of Allegiance and provided a safety minute.

Commissioner Bolz presented the Consent Agenda items for adoption. He asked if any item on the Consent Agenda should be transferred to the Regular Agenda for further review. No items were requested to be transferred to the Regular Agenda. Commissioner Bolz presented the Consent Agenda items for adoption as follows:

The minutes of the regular meetings held on February 9, 2009, and February 17, 2009 (study session) were presented for approval.

The Auditor's memorandum, dated February 17, 2009, supporting documentation and the District's Computer Report, which certify, pursuant to RCW 42.24.080, that the District received certain goods, services and other considerations specified therein and described as follows were presented for approval:

1. Claims certified by the Auditor for payment and authorization for the Auditor to issue warrants payable by the Treasurer for services, goods and other considerations received by the District in the total amount of \$6,222,881.96;
2. Customer Deposit Returns dated February 17, 2009 in the amount of \$3,744.53; and
3. Net Payrolls, Warrant Nos. 221504 through 221595 and Advice Nos. 487941 through 488577 for the period ending 2/1/2009 in the amount of \$1,340,765.79.

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Resolutions:

RESOLUTION NO. 09-13432 APPROVING FIELD WORK ORDER NOS. 1 THROUGH 4, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 08-26, SCHEDULE B, WITH AZTECH ELECTRIC, INC. OF SPOKANE VALLEY, WASHINGTON AND AUTHORIZING RELEASE OF THE BOND IN LIEU OF RETAINAGE FOR THE WALLA WALLA AVENUE SUBSTATION CONSTRUCTION PROJECT

Motion was made by Commissioner Smith, seconded by Commissioner Bolz and unanimously carried adopting the Consent Agenda consisting of the minutes of the February 9, 2009 and February 17, 2009 (study session) meeting, the above listed vouchers and Resolution No. 09-13432, which are on file in the offices of the District.

Next, the Commission considered the matters listed in the Regular Agenda.

RESOLUTION NO. 09-13431 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A TASK AUTHORIZATION SERVICES AGREEMENT (SA NO. 09-039) WITH GOLDER ASSOCIATES INC. OF SEATTLE, WASHINGTON FOR ENGINEERING CONSULTING WORK AND GROUNDWATER ANALYSIS

Andrew Grassell, Natural Resources Program Manager, told the Board that the service agreement would provide for groundwater investigation services necessary to support the optimization of the Eastbank Hatchery water supply. Mr. Grassell stated that in 2008 a conceptual model of the Eastbank aquifer indicated that to understand how the aquifer would react to changes in withdrawals, it would be necessary to acquire detailed data and ensure its continue quality. He said approximately seventy percent of the water supply is used by the District for the hatchery. Creating an aquifer model and calibrating the model with the detailed data will provide the opportunity to predict the effects of future aquifer uses before implementing changes.

Motion was made by Commissioner Smith, seconded by Commissioner Bergren to adopt Resolution No. 09-13431. The motion unanimously carried to adopt Resolution No. 09-13431, which is on file in the offices of the District.

External Affairs Director Tracy Yount and Governmental Affairs Manager Suzanne Grassell updated the Board on specific legislation important to the District in the 2009 Legislative Session. Staff is monitoring over 365 bills out of record 2520 bills introduced. Dave Arbaugh, legislative consultant for the District, highlighted bills of interest and their activity in Olympia last week:

- Climate Bills: The House approved a version of cap and trade which states that Washington should maintain its leadership on climate change policy by implementing a

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cap on carbon emissions and developing strategies to achieve those reductions, including continuing Washington's participation in the design of a regional cap-and-trade program with the western climate initiative. In the Senate, Senator Rockefeller is crafting a proposal for a cap and trade bill that also will differ markedly from the legislation initially introduced at the request of Governor Gregoire. The legislation is expected to be taken up by the committee next week prior to the Senate cut off.

- SB 5840: An amendment to Initiative I-937, amends the energy independence act by: (1) Expanding the definition of "eligible renewable resource" (including electricity from certain existing small hydropower projects under 30 MWs) and "biomass energy"; (2) Expanding the geographic boundaries for eligible renewable resources and renewable energy credits; (3) Creating a renewable energy credit exception for anaerobic digesters; (4) Increasing the eligible renewable acquisition targets and allowing limited use of conservation to meet those targets; (5) Limiting the use of purchased incremental hydroelectric power from the Bonneville power administration; and (6) creating a solar incentive.
- Bill 5422: Whitewater boating liability bill that would amend the recreational use statute to provide more protection for the District when kayakers use the Chelan gorge. Bill 5422 was amended to include language on gross negligence which staff is working to replace with alternative language.
- Budget deficit is confirmed to be at \$8.3 billion. The pressure is on members to find new revenue sources or to eliminate programs and expenses in the budget. The State operating budget is \$36 billion and the deficit is a quarter of the operation budget. Much of the state budget includes programs that cannot be easily cut, such as for K-12, corrections and programs necessary to receive federal dollars.

Next, the Commissioners reported on the various meetings each attended during the weeks of February 9, 2009 and February 17, 2009.

Motion was made by Commissioner Bergren, seconded by Commissioner Bolz and unanimously carried to allow attendance via telephone for Commissioner Smith at the March 2, 2009 meeting.

General Counsel Carol Wardell announced that the Federal Energy Regulatory Commission (FERC) issued on February 20, 2009 an order amending the license for the Lake Chelan Hydro Project. On July 7, 2008 the District proposed to replace two existing 24-megawatt (MW) turbine generator units with two new 29.6-MW turbine generators units. The Department of Ecology issued a Water Quality Certification (WQC) for the proposed modification to the Lake Chelan Project on November 19, 2008. The proposed upgrades will increase the total installed capacity of the project from 48-MW to 59.2-MW and are estimated to increase the existing 380,871 megawatt-hours (MWh) to about 416,440 MWh after the upgrades are completed.

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In response to comments made at the February 17, 2009 meeting, Managing Director of Engineering and Technology John Smith, addressed network service levels and the potential of increasing the District's level of service to include operation a networks operation center which would address customer use issues and problem solving. Mr. Smith estimated that the operation and maintenance cost to increase the level of service provided to be \$350,000 to \$400,000 a year. Commissioner Bolz thanked Mr. Smith for his follow up and stated that since the District is looking at budget revisions, it would not be the proper time to add the additional expense and that Mr. Smith's answers satisfied his request for information

Chief Financial and Risk Officer (CFO/CRO) John Janney informed the Board that he would be presenting two items at next week's commission meeting: 1) a resolution to revise the capital budget approval and budget revision policy, and 2) a proposed motion to revise the 2008 operating budget due to increased external purchased power expense.

The meeting recessed at 12:05 p.m. for the purpose of lunch, to reconvene at 1:00 p.m. for the purpose of conducting the business of the District.

Director of Natural Resources Gregg Carrington and License and Natural Resources Compensation Manager Michelle Smith announced that the Federal Energy Regulatory Commission (FERC) has issued a new 43-year license for the operation of the 1300-megawatt Rocky Reach Hydroelectric Project. In addition, the license also includes continuing the HCP for salmon and steelhead, maintaining existing parks on the Rocky Reach reservoir, providing renovation of Entiat Park and enhancements to Lincoln Rock and Daroga State parks. The new license also has provisions to ensure safe passage of bull trout and lamprey past the dam. The licensing team has already started reviewing the license. If there are any significant changes to the documents submitted on March 17, 2006, the District has 30 days to file an appeal. Depending on the outcome of the review, Commissioners will be asked to accept the new license and staff will start putting the measures into place or request a rehearing from FERC on particular issues

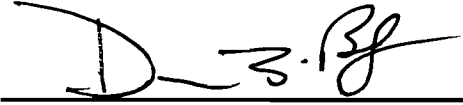
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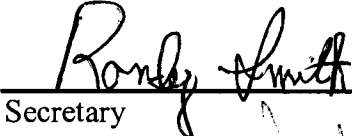
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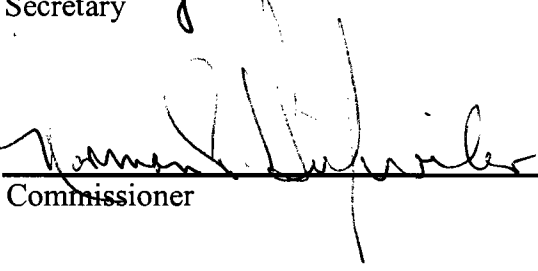
There being no further business, the meeting adjourned at 1:30 p.m.

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Vice President

  
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Secretary

  
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Commissioner

  
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